



# **E-Rate in FY 2016 and Beyond Under the E-Rate Modernization Orders**

**Idaho Broadband Access Study Committee  
July 21, 2015**

**Presented by E-Rate Central**

[www.e-ratecentral.com](http://www.e-ratecentral.com)



- **Largest federal technology funding program**
  - **Initiated in 1998 under auspices of FCC**
  - **One of 4 Universal Service Fund programs**
  - **Supports technology infrastructures for schools and libraries**
    - **Telecommunications**
    - **Internet access**
    - **Intra-building network equipment and maintenance**
  - **Scope: \$4 billion per year (plus roll-overs)**



- **Schools and libraries can receive discounts ranging from 20% - 90% on eligible products and services**
  
- **Discounts are based on:**
  - **School district uses discount based on total student eligibility**
  - **Library uses discount based on total student eligibility of local district**
  - **Consortium uses simple average of individual member discounts**



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Percent of Eligible Students	Urban	Rural
Less than 1%	20%	25%
1% - 19%	40%	50%
20% - 34%	50%	60%
35% - 49%	60%	70%
50% -74%	80%	80%
75% -100%	85–90%	85–90%



## Category 1

- **Telecommunications and Internet Services**
  - Focus on broadband
  - Phase out of voice services

## Category 2

- **Telecommunications and Internet Services**
  - Focus on Wi-Fi systems (LAN and WLAN)
  - Related maintenance



## ➤ Important source of technology funding (FY 1998 – 2015)

- \$41 billion nationwide
- \$123 million for Idaho



### Funding Commitment Overview:

Funding Year	State Total	National Total	% Nat. Total
2015	\$2,256,247.91	\$615,128,389.83	0.4%
2014	\$7,933,034.67	\$2,235,887,940.52	0.4%
2013	\$7,528,900.05	\$2,163,416,779.09	0.3%
2012	\$15,715,574.09	\$2,890,281,019.46	0.5%
2011	\$14,402,660.41	\$2,671,434,770.08	0.5%
2010	\$13,773,596.53	\$3,110,936,418.68	0.4%
2009	\$11,615,943.22	\$2,879,281,351.83	0.4%
2008	\$5,792,356.86	\$2,564,204,861.47	0.2%
2007	\$5,665,282.38	\$2,439,430,074.18	0.2%
2006	\$4,298,945.19	\$1,977,827,611.72	0.2%
2005	\$4,370,754.35	\$2,133,729,634.90	0.2%
2004	\$3,604,849.25	\$2,194,346,348.61	0.2%
2003	\$4,300,413.35	\$2,635,045,651.07	0.2%
2002	\$5,181,109.04	\$2,200,771,068.78	0.2%
2001	\$4,353,432.16	\$2,175,571,530.05	0.2%
2000	\$2,895,323.80	\$2,078,035,361.99	0.1%
1999	\$4,948,606.43	\$2,145,549,109.82	0.2%
1998	\$4,594,850.20	\$1,699,085,602.80	0.3%



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- **Important source of technology funding (FY 1998 – 2015)**
    - But...
  
  - **Time-consuming, bureaucratic, and confusing program**
    - Forms 470, 471, 472, 479, 486, and 500 —new portal for FY 2016
    - Service eligibility and discount rate issues
    - Long lead time and competitive bidding procedures
    - Strict application review process
    - Audits and retroactive refund exposure — and “black holes”



## ➤ Idaho-Specific Problem

**Applicant:** STATE OF IDAHO, OFFICE OF THE CHIEF INFORMATION OFFICER  
**Billed Entity Number:** 16050658

FY	Req. FRNs	Funded FRNs	486 on File	Requested Amount	Committed Priority 1	Committed Priority 2	Total Committed	Total Disbursed
<a href="#">2015</a>	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<a href="#">2014</a>	1	0	0	\$7,011,714.28	\$0.00	\$0.00	\$0.00	\$0.00
<a href="#">2013</a>	1	0	0	\$6,847,606.08	\$0.00	\$0.00	\$0.00	\$0.00
<a href="#">2012</a>	1	1	1	\$6,445,589.73	\$6,445,589.73	\$0.00	\$6,445,589.73	\$4,611,885.43
<a href="#">2011</a>	1	1	1	\$6,292,800.00	\$6,292,800.00	\$0.00	\$6,292,800.00	\$5,444,738.71
<a href="#">2010</a>	1	1	1	\$4,898,383.38	\$4,898,383.38	\$0.00	\$4,898,383.38	\$2,645,575.33
<a href="#">2009</a>	1	1	1	\$4,933,440.00	\$4,901,713.66	\$0.00	\$4,901,713.66	\$639,774.78
<a href="#">2008</a>	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<a href="#">2007</a>	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<a href="#">2006</a>	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00





## ➤ Idaho-Specific Opportunities

- Major focus on broadband connectivity
  - President's ConnectEd Initiative
  - New E-Rate 2.0 rules and additional funding
  - Alternative models for state networks
  - E-rate application timing for FY 2016
  
- Other E-rate issues
  - Need for statewide E-rate coordination
  - Possible E-rate funding for Pre-K and Head Start



## ➤ Two FCC E-Rate Orders in 2014

- **Refocus E-rate on broadband to the classroom**
  - **Set broadband goals aligned to ConnectEd objectives**
    - Schools: Internet at 100 Mbps per 1,000 students short-term and 1 Gbps per 1,000 students long-term
    - Libraries: Internet at 100 Mbps for populations under 50,000 and 1 Gbps for larger populations
    - WAN connectivity “scalable” to 10 Gbps
  - **Target “predictable” funding for internal Wi-Fi connections**
  - **Fund Wi-Fi by eliminating or phasing out support for “legacy” services**
- **Update rules on competitive bidding, contracts, discount rates, electronic filing, technology plans, and more**
- **Increase E-rate funding cap by \$1.5 billion**



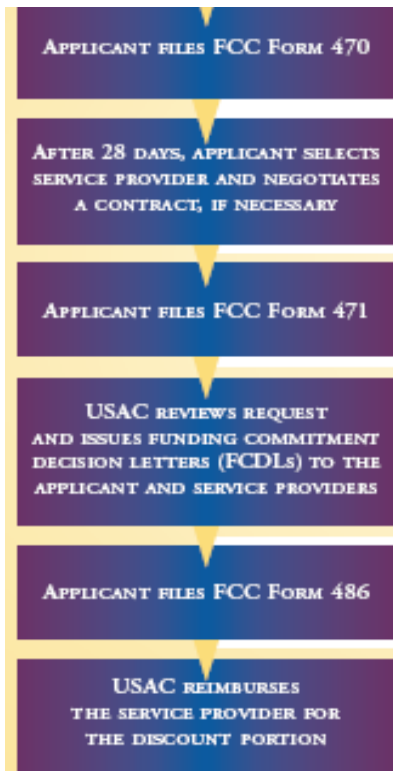
## ➤ Two FCC E-Rate Orders in 2014, cont.

- **Category 1: Enhanced fiber connectivity eligibility**
  - Installation charges on large projects no longer need be amortized
  - Special construction charges on dark fiber now eligible
  - Self-provisioned fiber now eligible (if cost-effective)
  - Non-discounted portion of installation charges can be paid in installments
  - Additional E-rate funding available with state-matching funds
  
- **Category 2: Budgeted funding for internal broadband systems**
  - Five-year school budget caps of \$150 per student
  - Maximum discount is 85%



## ➤ State Network and Funding Alternatives

- **Network scope**
  - Individual school district WANs with Internet connectivity
  - Regional networks (often in states with ESAs)
  - Statewide networks
    - Standalone K-12 network
    - Integrated education and research network
- **State management and funding roles**
  - State master contract only
  - Managed and funded statewide networks
  - Partial state funding for individual or regional networks
    - Additional 10% E-rate discounts now available for state-matching



1. File Form 470 (quasi-RFP)
2. Wait 28 days (vendor selection period)
3. File Form 471 (application)
4. PIA review and FCDL
5. File Form 486 (confirmation)
6. Submit invoices to USAC



- **Competitive bidding is required**
  - Applicant must conduct a fair and open bidding process
  - All bidders must be treated equally
  - Vendors cannot be involved in Form 470/RFP development
  - Strict gift rules
  - Price of eligible product or service must be the primary factor



## Sample bid matrix:

No	Factors	Total Points Available	Vendor 1 143xxxxxx ABC Inc.	Vendor 2 143xxxxxx DEF Inc.	Vendor 3 143xxxxxx GHI Inc.	Vendor 4 143xxxxxx JKL Inc.
1	<i>Cost of the Eligible Goods and Services</i>	40 *	38	25	38	0
2	<i>Experience</i>	20	18	17	20	0
3	<i>Availability</i>	10	10	8	7	0
4	<i>Minority Business Status</i>	10	6	9	9	0
5	<i>In State Preference</i>	10	3	7	10	
6	<i>Cost of the Ineligible products</i>	5	4	1	5	
7	<i>Project Management Expertises</i>	5	2	1	5	
<b>Total Points</b>		100	81	68	94	0

\* This number must be higher than all of the other numbers in this column.

**Winning Bidder:**

Vendor 3 (GHI, Inc.) is the winning bidder because it has the highest total points.



## **Form 471 Discount Application:**

- **Must be filed each year within the application window**
- **Contains specific information on services ordered, quantities, vendor, and price**
- **Shows entities receiving services and discount rate calculations**
- **Certifies compliance with rules and verifies access to resources to make effective use of discounted services**





## Program Integrity Assurance Reviews:

- **Most applications generate PIA inquiries:**
  - Entity eligibility
  - Discount rate validation
  - Eligible products and services
  - Funding request levels
  
- **Response deadlines:**
  - Normal 15-day response requirement
  - Mid-point reminders to applicant and state coordinator
  - Extension request must be made in writing



- **Funding Commitment Decision Letter (“FCDL”) issued to applicant and service provider(s) after PIA review**
  
- **Funding released in weekly waves**
  - Typically beginning during prior May/June
  - Waves continue well into funding year
  - Funding as of mid-July 2015:
    - FY 2015: \$615 million of \$3.92 billion requested (no cap)
    - FY 2014: \$2.24 billion of \$2.65 billion cap
    - FY 2013: \$2.16 billion of \$2.79 billion cap



- **Form 486 Receipt of Services**
  - Confirms start of service
  - Certified compliance with the Children’s Internet Protection Act (“CIPA”), if required
  
- **Discount invoice options**
  - Discounted bills: Service provider files Form 474 (“SPI”)
  - Discount reimbursement: Applicant files Form 472 (“BEAR”)



- **Web:**            [www.usac.org/sl/](http://www.usac.org/sl/)    **basic site**  
  
                         [portal.usac.org](http://portal.usac.org)      **new portal**
  
- **Help line:**    **888-203-8100**
  
- **Online “Submit a Question” facility or through portal**
  
- **Weekly SLD News Brief (subscribe online)**



- **Web: E-rate:** [www.e-ratecentral.com](http://www.e-ratecentral.com) or [e-ratecentral.com/us/stateInformation.asp?state=ID](http://e-ratecentral.com/us/stateInformation.asp?state=ID)
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